

BALLARD
COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2008

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BALLARD COMMUNITY SCHOOL DISTRICT

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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Board of Education

(Before September, 2007 Election)

Jean Saveraid	President	2009
Joyce Peterson	Vice President	2008
Kirk Peterson		2008
Tim Erickson		2007
Bill Fjelland	(Resigned July, 2007)	

(After September, 2007 Election)

Jean Saveraid	President	2009
Joyce Peterson	Vice President	2008
Kirk Peterson		2008
Tim Erickson		2011
David Jackson		2009

School Officials

John Speer	Superintendent
Janice Halverson	District Secretary/ Treasurer

BRUCE D. FRINK

Certified Public Accountant

Independent Auditor's Report

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

- Individual & Corporate Tax Preparation, Partnerships, Estate & Trust
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance
- Section 105 Medical Plan Administration

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

To the Board of Education of
Ballard Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Ballard Community School District, Huxley, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

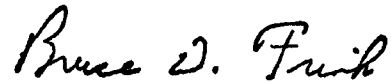
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of Ballard Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 4, 2009 on our consideration of Ballard Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 33 through 34 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Ballard Community School District's basic financial statements. We previously audited in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2007 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



BRUCE D. FRINK
Certified Public Accountant

March 4, 2009

BALLARD COMMUNITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Ballard Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$10,644,666 in fiscal 2007 to \$11,764,686 in fiscal 2008, (an eleven percent increase) while General Fund expenditures increased from \$10,799,973 in fiscal 2007 to \$11,245,318 in fiscal 2008 (a four percent increase).
- The increase in General Fund revenues was primarily attributable to increases in state foundation aid. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits. The General Fund balance increased due to additional funding for the increased enrollment and the cash reserve levy.
- The School Infrastructure Local Option Sales Tax passed in Story County in 2003. The District began receiving these funds in September 2003. These monies are being used for improvements to district facilities. This tax allows the District to update its facilities for an expanding enrollment without raising property taxes.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Ballard Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Ballard Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Ballard Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

Other Supplementary Information provides detailed information about the non-major Special Revenue Funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Ballard Community School District Annual Financial Report

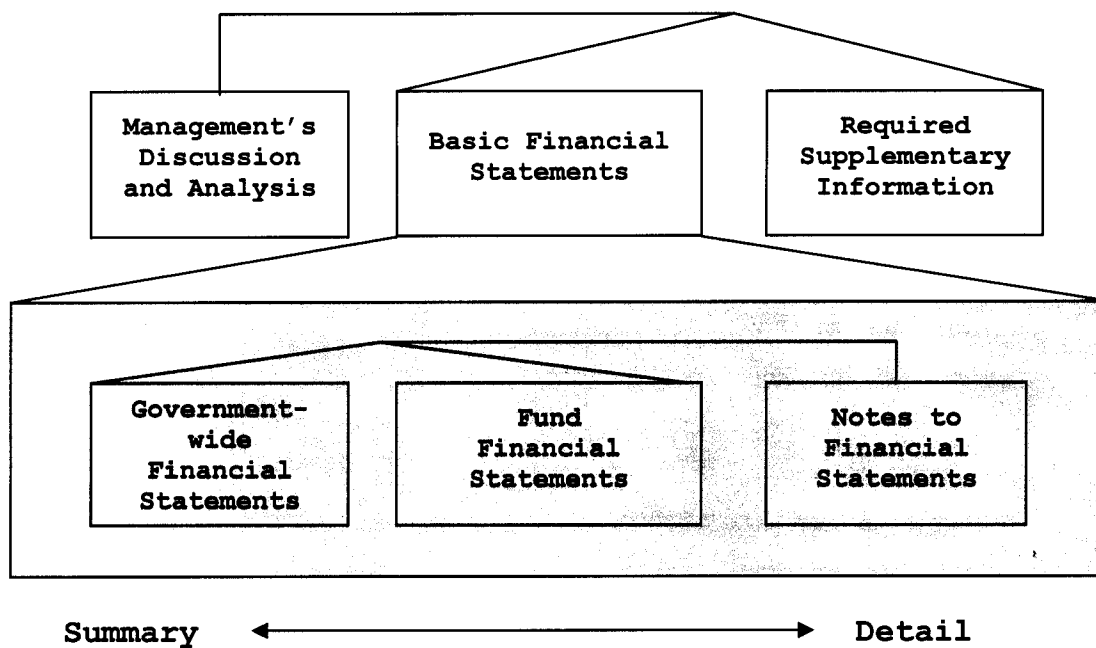


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how much cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a Statement of Net Assets, a statement of revenues, expenses, changes in net assets and a Statement of cash flows.

3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust Funds.

- *Agency Funds* - These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2008 compared to June 30, 2007.

	Figure A-3						
	Condensed Statement of Net Assets						
	(Expressed in Thousands)						
	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Current assets	\$ 9,946	10,297	32	66	9,978	10,363	-3.86%
Capital assets	10,880	11,235	21	26	10,901	11,261	-3.30%
Total assets	20,826	21,532	53	92	20,879	21,624	-3.57%
Current liabilities	8,493	7,923	2	13	8,495	7,936	6.58%
Non-current liabilities	4,825	7,141	-	-	4,825	7,141	-48.00%
Total liabilities	13,318	15,064	2	13	13,320	15,077	-13.19%
Net Assets							
Invested in capital assets, net of related debt	6,415	4,650	21	26	6,436	4,676	27.35%
Restricted	1,559	3,009	-	-	1,559	3,009	-93.01%
Unrestricted	(466)	(1,191)	30	53	(436)	(1,138)	161.01%
Total net assets	\$ 7,508	6,468	51	79	7,559	6,547	13.39%

Combined net assets grew as a result of the District's investment in capital assets increased General Fund and sales tax collections. The District has taken advantage of the local option sales tax to expand its facilities in recent years. Unrestricted assets have increased primarily due to enrollment growth and cash reserve tax levies. Funding trails growth by a year and creates a strain on the General Fund budget. This delay in funding is part of the reason that the cash reserve levy is necessary.

Figure A-4 shows the changes in net assets for the year ended June 30, 2008 compared to the year ended June 30, 2007.

Figure A-4							
Changes in Net Assets							
(Expressed in Thousands)							
Governmental Activities		Business type Activities		Total School District		Total Change	
2008	2007	2008	2007	2008	2007	2007-08	
Revenues:							
Program revenues:							
Charges for service and sales	\$ 905	813	424	424	1,329	1,237	7.44%
Operating grants, contributions and restricted interest	1,948	1,697	173	173	2,121	1,870	13.42%
General revenues:							
Property tax	4,018	3,550	-	-	4,018	3,550	13.18%
Local option sales tax	1,311	1,330	-	-	1,311	1,330	-1.43%
Unrestricted state grants	6,193	5,866	-	-	6,193	5,866	5.57%
Unrestricted investment earnings	81	110	-	-	81	110	-26.36%
Other	19	20	-	-	19	20	-5.00%
Total revenues	14,475	13,386	597	597	15,072	13,983	7.79%
Program expenses:							
Governmental activities:							
Instruction	7,688	7,343	-	-	7,688	7,343	4.70%
Support Services	3,781	3,453	-	-	3,781	3,453	9.50%
Non-instructional programs	5	3	605	605	610	608	0.33%
Other expenses	1,961	1,327	-	-	1,961	1,327	47.78%
Total expenses	13,435	12,126	605	605	14,040	12,731	10.28%
Change in net assets	\$ 1,040	1,260	(8)	(8)	1,032	1,252	-17.57%

Property tax and unrestricted state grants account for 68% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 82% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$14,474,721 and expenses were \$13,434,856.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2008 compared to the year ended June 30, 2007.

Figure A-5						
Total and Net Cost of Governmental Activities						
(Expressed in Thousands)						
Total Cost of Services			Net Cost of Services			
		Change			Change	
	2008	2007	2007-08	2008	2007	2007-08
Instruction	\$ 7,688	7,343	4.70%	5,424	5,390	0.63%
Support Services	3,781	3,453	9.50%	3,762	3,431	9.65%
Noninstructional Programs	5	3	66.67%	5	3	66.67%
Other expenses	<u>1,961</u>	<u>1,327</u>	<u>47.78%</u>	<u>1,391</u>	<u>791</u>	<u>75.85%</u>
Totals	<u>\$ 13,435</u>	<u>12,126</u>	<u>10.79%</u>	<u>10,582</u>	<u>9,615</u>	<u>10.06%</u>

- The cost financed by users of the District's programs was \$905,167.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$937,709.
- The net cost of governmental activities was financed with \$4,018,299 in property tax, and \$6,192,411 in state foundation aid.

Business-Type Activities

Revenues of the District's business type activities were \$618,928 and expenses were \$645,832. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As previously noted Ballard Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$7,508,312, a sixteen percent increase over last year's ending fund balances of \$6,468,447. The primary reasons were the use of current revenues to acquire capital assets that will continue to serve the District over an extended period of time, the collection of local option sales tax, and an increase in General Fund revenues due to increased enrollment and cash reserve property tax levy.

Governmental Fund Highlights

- The District's General Fund balance increased as a result of increased enrollment and cash reserve levies. Allowable growth of 4% is inadequate to keep up with increasing enrollment requirements.
- The District continues to expand its facilities to meet the expanding enrollment primarily through the use of local option sales tax revenues.
- The District's resident enrollment and open enrollment has continued to increase. This will allow the District to continue to grow, however, funding follows expenditures by a full year in many cases.

Proprietary Fund Highlights

The School Nutrition fund decreased during the year by 34%. The District has continued its agreement with Taher Inc. to manage the nutrition program.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and major Special Revenue Funds are not presented in the budgetary comparison on pages 33 and 34. The District exceeded the amended budgeted amounts in the support services and non-instructional programs functions. It also did not exceed its statutory spending authority.

Legal Budgetary Highlights

The District's receipts were over \$248,000 greater than budgeted receipts, a variance of 2%. The variance resulted from the District receiving more revenue than originally anticipated in all areas.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

The District amended its budget during the year due to additional building costs and increased enrollment.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, the District had invested \$10.8 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 38% from last year. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year was \$685,491.

The original cost of the District's capital assets was \$18,224,283. Governmental funds account for \$18,235,298, with the remainder of \$48,925 accounted for in the Proprietary, School Nutrition Fund.

Figure A-6
Condensed Statement of Net Assets
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Land	\$ 613	613	-	-	613	613	0.00%
Site improvements	981	954	-	-	981	954	2.83%
Buildings	8,610	8,987	-	-	8,610	8,987	-4.19%
Furniture and equipment	676	681	26	26	702	707	-0.71%
Totals	\$ 10,880	11,235	26	26	10,906	11,261	-3.15%

Long-Term Debt

At June 30, 2008, the District had over \$4,824,000 in general obligation bonds, revenue bonds and other long-term debt outstanding. This represents a decrease of approximately 32% from last year (See Figure A-7). Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

Figure A-7
Outstanding Long-Term Obligations
(Expressed in Thousands)

	Total District		Total Change
	June 30,		June 30,
	2008	2007	2007-08
General obligation bonds	\$ 1,320	1,710	-22.81%
Early retirement	359	556	-35.43%
Revenue bonds	3,145	4,875	-35.49%
Total	\$ 4,824	7,141	-32.45%

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future:

- The SILO tax was passed in Story County and money began to be received by the District in July of 2003. This money is being used for various building/remodeling projects and property tax relief throughout the District.
- The District has experienced increasing enrollment the past several years. This has caused short-term cash flow problems, as funding follows enrollment, not precedes it.
- Iowa law requires that unsettled salary negotiations for teachers go to mandatory arbitration. Invariably arbitrated settlements are higher than current levels of allowable growth in funding (not including the budget cuts after the contracts have been settled and people have been hired).

- Health insurance continues to be a very costly item to the District. Even though concessions have been made by employees in regard to deductibles and coinsurance, other solutions need to be found. The skyrocketing cost of health care and the insurance to cover the cost will soon be unattainable by many.
- Unfunded mandates are stretching the limits of not only the financial health of the District, but also the human resources aspect of the District. "No Child Left Behind", "Student Achievement and Teacher Quality Act", and "GASB 34", to name a few.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Janice Halverson, District Secretary, Ballard Community School District, 602 N Main, PO Box 307, Huxley, IA 50124.

Basic Financial Statements

BALLARD COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2008

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 2,246,966	24,106	2,271,072
ISCAP investments	3,283,710	-	3,283,710
Receivables:			
Property tax			
Current year	55,796	-	55,796
Succeeding year	4,005,557	-	4,005,557
Due from other governments	137,778	-	137,778
Other receivables	136,072	597	136,669
ISCAP accrued interest receivable	15,714	-	15,714
Inventories	-	7,100	7,100
Prepaid expenses	64,803	-	64,803
Capital assets, net of accumulated depreciation (note 3)	10,879,710	21,538	10,901,248
Total assets	\$ 20,826,106	53,341	20,879,447
Liabilities			
Accounts payable	\$ 138,861	1,630	140,491
Accrued payroll and benefits	1,011,095	-	1,011,095
Accrued interest payable	14,415	-	14,415
ISCAP unamortized premium	44,302	-	-
ISCAP warrants payable	3,262,000	-	3,262,000
ISCAP accrued interest payable	16,952	-	16,952
Deferred revenue:			
Succeeding year property tax	4,005,557	-	4,005,557
Long term liabilities:			
Portion due within one year:			
Early retirement	103,717	-	103,717
General obligation bonds	415,000	-	415,000
Revenue bonds	585,000	-	585,000
Portion due after one year:			
Early retirement	255,895	-	255,895
General obligation bonds	905,000	-	905,000
Revenue bonds	2,560,000	-	2,560,000
Total liabilities	13,317,794	1,630	13,275,122
Net Assets			
Invested in capital assets, net of related debt	6,414,710	21,538	6,436,248
Restricted for:			
Debt service	90,996	-	90,996
Capital projects	1,468,501	-	1,468,501
Unrestricted	(465,895)	30,173	(435,722)
Total net assets	\$ 7,508,312	51,711	7,560,023

See notes to financial statements.

BALLARD COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2008

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:					
Governmental activities:					
Instruction:	#REF!	904,771	1,359,807	#REF!	- #REF!
Support services:					
Student services	363,167	-	-	(363,167)	- (363,167)
Instructional staff services	425,223	-	-	(425,223)	- (425,223)
Administration services	1,454,255	-	-	(1,454,255)	- (1,454,255)
Operation and maintenance of plant services	1,026,939	-	18,096	(1,008,843)	- (1,008,843)
Transportation services	511,056	396	-	(510,660)	- (510,660)
	3,780,640	396	18,096	(3,762,148)	- (3,762,148)
Non-instructional programs	4,730	-	-	(4,730)	- (4,730)
Other expenditures:					
Facilities acquisition	600,117	-	118,345	(481,772)	- (481,772)
Interest on long-term debt	237,100	-	9,718	(227,382)	- (227,382)
AEA flowthrough	442,195	-	442,195	-	- -
Depreciation (unallocated) *	681,514	-	-	(681,514)	- (681,514)
	1,960,926	-	570,258	(1,390,668)	- (1,390,668)
Total governmental activities	#REF!	905,167	1,948,161	#REF!	- #REF!

BALLARD COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2008

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Operating Grants, Contributions and Restricted Interest			
	Charges for Service		Governmental Activities	Business Type Activities	Total
Expenses					
	645,832	446,809	172,119	-	(26,904)
Business type activities:					
Non-instructional programs:					
Nutrition services					
Total	#REF!	1,351,976	2,120,280	#REF!	(26,904)
					#REF!

General Revenues:

Property tax levied for:						
General purposes	\$ 3,139,201				-	3,139,201
Management Fund	291,160				-	291,160
Capital outlay	112,352				-	112,352
Debt service	475,586				-	475,586
School Infrastructure Local Option Sales Tax	1,310,717				-	1,310,717
Unrestricted state grants	6,192,411				-	6,192,411
Unrestricted investment earnings	80,843				-	80,843
Other	19,123				-	19,123
Total general revenues	11,621,393				-	11,621,393
Change in net assets	#REF!				(26,904)	#REF!
Net assets beginning of year	6,468,447				78,615	6,547,062
Net assets end of year	#REF!				51,711	#REF!

* This amount excludes the depreciation that is included in the direct expense of the various programs.

See notes to financial statements.

BALLARD COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2008

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Special Revenue</u>	<u>Total</u>
Assets					
Cash and pooled investments	\$ 534,970	84,817	1,388,873	238,306	2,246,966
ISCAP investments	3,283,710	-	-	-	3,283,710
Receivables:					
Property tax:					
Current year	44,006	6,179	-	5,611	55,796
Succeeding year	3,120,090	474,965	-	410,502	4,005,557
Due from other governments	30,566	-	107,212	-	137,778
Other receivables	136,072	-	-	-	136,072
ISCAP accrued interest	15,714	-	-	-	15,714
Interfund receivable	-	-	44,600	-	44,600
Prepaid expenses	64,803	-	-	-	64,803
Total assets	<u>\$ 7,229,931</u>	<u>565,961</u>	<u>1,540,685</u>	<u>654,419</u>	<u>9,990,996</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 66,335	-	72,184	342	138,861
Accrued payroll and benefits	1,011,095	-	-	-	1,011,095
Interfund payable	-	-	-	44,600	44,600
ISCAP unamortized premium	44,302	-	-	-	44,302
ISCAP warrants payable	3,262,000	-	-	-	3,262,000
ISCAP accrued interest payable	16,952	-	-	-	16,952
Deferred revenue:					
Succeeding year property tax	3,120,090	474,965	-	410,502	4,005,557
Total liabilities	<u>7,520,774</u>	<u>474,965</u>	<u>72,184</u>	<u>455,444</u>	<u>8,523,367</u>
Fund balances:					
Reserved for:					
Debt service	-	90,996	-	-	90,996
Capital projects	-	-	1,468,501	-	1,468,501
Prepaid expenses	64,803	-	-	-	64,803
Unreserved	(355,646)	-	-	198,975	(156,671)
Total fund balances	<u>(290,843)</u>	<u>90,996</u>	<u>1,468,501</u>	<u>198,975</u>	<u>1,467,629</u>
Total liabilities and fund balances	<u>\$ 7,229,931</u>	<u>565,961</u>	<u>1,540,685</u>	<u>654,419</u>	<u>9,990,996</u>

See notes to financial statements.

BALLARD COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2008

Total fund balances of governmental funds (Exhibit C)		\$ 1,467,629
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		10,879,710
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.		(14,415)
Long-term liabilities, including compensated absences and early retirement, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		
Early retirement	\$ (359,612)	
General obligation bonds	(1,320,000)	
Revenue bonds	<u>(3,145,000)</u>	<u>(4,824,612)</u>
Net assets of governmental activities (Exhibit A)		<u>\$ 7,508,312</u>

BALLARD COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund Types

Year ended June 30, 2008

	General	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
Revenues:					
Local sources:					
Local tax	\$ 3,139,201	475,586	1,310,717	403,514	5,329,018
Tuition	878,697	-	-	-	878,697
Other	173,909	9,484	118,345	391,953	693,691
State sources	7,388,375	234	-	202	7,388,811
Federal sources	184,504	-	-	-	184,504
Total revenues	<u>11,764,686</u>	<u>485,304</u>	<u>1,429,062</u>	<u>795,669</u>	<u>14,474,721</u>
Expenditures:					
Instruction:	<u>7,432,270</u>	<u>-</u>	<u>-</u>	<u>452,391</u>	<u>7,884,661</u>
Support services:					
Student services	362,311	-	-	856	363,167
Instructional staff services	416,880	-	-	88,704	505,584
Administration services	1,147,276	900	172,187	133,892	1,454,255
Operation and maintenance of plant services	962,618	-	-	78,226	1,040,844
Transportation services	<u>477,038</u>	<u>-</u>	<u>-</u>	<u>100,029</u>	<u>577,067</u>
	<u>3,366,123</u>	<u>900</u>	<u>172,187</u>	<u>401,707</u>	<u>3,940,917</u>
Non-instructional programs:					
Community service and education	<u>4,730</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,730</u>
Other expenditures:					
Facilities acquisition and construction services	-	-	764,767	1,674	766,441
Principal on long-term debt	-	2,120,000	-	-	2,120,000
Interest on long-term debt	-	242,930	-	-	242,930
AEA flowthrough	<u>442,195</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>442,195</u>
	<u>442,195</u>	<u>2,362,930</u>	<u>764,767</u>	<u>1,674</u>	<u>3,571,566</u>
Total expenditures	<u>11,245,318</u>	<u>2,363,830</u>	<u>936,954</u>	<u>855,772</u>	<u>15,401,874</u>
Excess (Deficiency) of revenues over (under) expenditures	<u>519,368</u>	<u>(1,878,526)</u>	<u>492,108</u>	<u>(60,103)</u>	<u>(927,153)</u>
Other financing sources:					
Operating transfers in	-	1,887,965	-	-	1,887,965
Operating transfers out	<u>-</u>	<u>-</u>	<u>(1,887,965)</u>	<u>-</u>	<u>(1,887,965)</u>
Total other financing sources	<u>-</u>	<u>1,887,965</u>	<u>(1,887,965)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	519,368	9,439	(1,395,857)	(60,103)	(927,153)
Fund balances beginning of year	<u>(810,211)</u>	<u>81,557</u>	<u>2,864,358</u>	<u>259,078</u>	<u>2,394,782</u>
Fund balances end of year	<u>\$ (290,843)</u>	<u>90,996</u>	<u>1,468,501</u>	<u>198,975</u>	<u>1,467,629</u>

See notes to financial statements.

BALLARD COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities

Year ended June 30, 2008

Net change in fund balances - total governmental funds (Exhibit E) \$ (927,153)

**Amounts reported for governmental activities in the Statement of
Activities are different because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 326,601	
Depreciation expense	<u>(681,514)</u>	(354,913)

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceeded issuances, as follows:

Repaid	2,120,000
--------	-----------

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is reported as an expenditure in the funds when due. In the Statement of Activities, interest expense is recorded as the interest accrues, regardless of when it is due.

5,830

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early retirement payments	<u>196,101</u>
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Change in net assets of governmental activities (Exhibit B)	<u><u>\$ 1,039,865</u></u>
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BALLARD COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Fund

Year ended June 30, 2008

	<u>School Nutrition</u>
Operating revenue:	
Local sources:	
Charges for services	\$ 446,809
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	198,747
Benefits	49,027
Services	58,267
Supplies	335,814
Depreciation	3,977
Total operating expenses	<u>645,832</u>
Operating (loss)	<u>(199,023)</u>
Non-operating revenues:	
Interest on investments	385
State sources	6,941
Federal sources	<u>164,793</u>
	<u>172,119</u>
Change in net assets	(26,904)
Net assets beginning of year	<u>78,615</u>
Net assets end of year	<u>\$ 51,711</u>

See notes to financial statements.

BALLARD COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2008

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of services	\$ 449,233
Cash payments to employees for services	(247,774)
Cash payments to suppliers for goods or services	<u>(375,915)</u>
Net cash provided by (used in) operating activities	<u>(174,456)</u>
Cash flows from non-capital financing activities:	
State grants received	6,941
Federal grants received	<u>132,716</u>
Net cash provided by non-capital financing activities	<u>139,657</u>
Cash flows from investing activities:	
Interest on investments	<u>385</u>
Net increase in cash and cash equivalents	(34,414)
Cash and cash equivalents beginning of year	<u>58,520</u>
Cash and cash equivalents end of year	<u>\$ 24,106</u>
Reconciliation of operating income (loss) to net cash used in operating activities:	
Operating income (loss)	\$ (199,023)
Adjustments to reconcile operating profit (loss) to net cash provided by (used in) operating activities:	
Depreciation	3,977
Commodities used	32,077
Decrease in other receivables	2,424
(Increase) in inventory	(1,965)
(Decrease) in accounts payable	<u>(11,946)</u>
	<u>\$ (174,456)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2008, the District received federal commodities valued at \$32,077.

See notes to financial statements.

BALLARD COMMUNITY SCHOOL DISTRICTStatement of Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2008

	<u>Agency</u>
Assets	
Cash	\$ <u>2,225</u>
Total assets	<u>2,225</u>
Liabilities	
Other payables	<u>2,225</u>
Total liabilities	<u>2,225</u>
Net assets	<u>\$ -</u>

See notes to financial statements.

BALLARD COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2008

(1) Summary of Significant Accounting Policies

Ballard Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors summer recreational activities. The geographic area served includes the Cities of Huxley, Slater, Cambridge and Kelley, Iowa, and agricultural area in Story, Polk and Boone Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Ballard Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Ballard Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Story County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental and proprietary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service Fund is used to account for the payment of interest and principal on the District's long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2007.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

(2) Cash and Pooled Investments

The District's deposits at June 30, 2008 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2008, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$394,900</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk - The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

Credit risk - The investments in the Iowa School Joint Investment Trust were both rated Aaa by Moody's Investors Service.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 1,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	10,000
Other furniture and equipment	10,000

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year-end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Compensated Absences - District employees accumulated a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2008.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ending June 30, 2008, expenditures in the support service and non-instructional programs functions exceeded the amended budget amounts.

(3) Capital Assets

Capital assets activity for the year ended June 30, 2008 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 613,247	-	-	613,247
Capital assets being depreciated:				
Buildings	13,502,442	-	-	13,502,442
Improvements other than buildings	1,462,040	166,324	-	1,628,364
Furniture and Equipment	2,330,968	160,277	-	2,491,245
Total capital assets being depreciated	17,295,450	326,601	-	17,622,051
Less accumulated depreciation for:				
Buildings	4,514,898	377,649	-	4,892,547
Improvements other than buildings	508,147	139,156	-	647,303
Furniture and Equipment	1,651,029	164,709	-	1,815,738
Total accumulated depreciation	6,674,074	681,514	-	7,355,588
Total capital assets being depreciated, net	10,621,376	(354,913)	-	10,266,463
Governmental activities, capital assets, net	\$ 11,234,623	(354,913)	-	10,879,710
Business type activities:				
Furniture and equipment	\$ 56,009	-	7,084	48,925
Less accumulated depreciation	30,494	3,977	7,084	27,387
Business type activities capital assets, net	\$ 25,515	(3,977)	-	21,538
Depreciation expense was charged to the following functions:				
Governmental activities:				
Unallocated				\$ 681,514
Business Type activities:				
Food service operations				\$ 3,977

(4) General Obligation Bonds Payable

Details of the District's June 30, 2008 general obligation bonded indebtedness are as follows:

January 1, 1998 Refinancing				
Year Ending June 30,	Interest Rate	Principal	Interest	Total
2009	4.90%	\$ 415,000	66,050	481,050
2010	5.00	440,000	45,715	485,715
2011	5.10	465,000	23,715	488,715
Total		\$ 1,320,000	135,480	1,455,480

(5) Changes in Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2008 is as follows:

	<u>Early Retirement</u>	<u>General Obligation Bonds</u>	<u>Revenue Bonds</u>	<u>Total</u>
Balance beginning of year	\$555,713	1,710,000	4,875,000	7,140,713
Additions	-	-	-	-
Reductions	<u>196,101</u>	<u>390,000</u>	<u>1,730,000</u>	<u>2,316,101</u>
Balance end of year	<u>\$359,612</u>	<u>1,320,000</u>	<u>3,145,000</u>	<u>4,824,612</u>

(6) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2008 is as follows:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Investment</u>	<u>Accrued Interest Receivable</u>	<u>Warrants Payable</u>	<u>Accrued Interest Payable</u>	<u>Unamortized Premium</u>
2007-08A	6/27/07	6/27/08	\$ -	-	-	-	-
2007-08B	1/23/08	1/23/09	990,169	14,845	987,000	16,079	5,286
2008-09A	6/25/08	6/25/09	<u>2,293,541</u>	<u>869</u>	<u>2,275,000</u>	<u>873</u>	<u>39,016</u>
Total			<u>\$3,283,710</u>	<u>15,714</u>	<u>3,262,000</u>	<u>16,952</u>	<u>44,302</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts, and must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2008 is as follows:

<u>Series</u>	<u>Balance Beginning of Year</u>	<u>Advances Received</u>	<u>Advances Repaid</u>	<u>Balance End of Year</u>
2007-08A	\$ -	1,000,000	1,000,000	-
2007-08B	-	-	-	-
	<u>\$ -</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>-</u>

The warrants bear an interest rate and the proceeds of the warrants are invested at an interest rate as shown below:

<u>Series</u>	<u>Interest Rates on Warrants</u>	<u>Interest Rates on Investments</u>
2007-08A	4.500%	5.455%
2007-08B	3.750%	3.451%
2008-09A	3.500%	3.469%

(7) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.90% of their annual salary and the District is required to contribute 6.05% of annual payroll, for the year ending June 30, 2008. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2008, 2007, and 2006 were \$405,580, \$360,038, and \$331,541 respectively, equal to the required contributions for each year.

(8) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$442,195 for year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(9) Early Retirement

The District offered an early retirement program to all employees who were employed at least 30 hours per week on a regular contract during the 2006-2007 contract year, were 55 years of age as of June 30, 2008 and had been employed by the District for at least fifteen consecutive years. Early retirement benefits are comprised of thirty percent of the 2006-2007 regular salary plus a per diem of \$100 for licensed employees or \$50 for support staff employees for each day of unused sick leave up to a maximum of 125 days. Benefits will be paid in three annual payments beginning in January, 2008. Early retirement benefits paid during the year ended June 30, 2008 totaled \$196,101. A long-term liability has been recorded in the Statement of Net Assets representing the District's commitment to fund early retirement.

(10) Risk Management

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(11) Revenue Bonds Payable

Details of the District's June 30, 2008 Local Option Sales and Services Tax Revenue Bond Anticipation Project Notes are as follows:

Year Ending June 30,	March, 2005 Issue		
	Interest	Principal	Total
2009	\$106,930	585,000	691,930
2010	88,795	605,000	693,795
2011	69,133	630,000	699,133
2012	47,712	650,000	697,712
2013	24,638	675,000	699,638
Total	<u>\$337,208</u>	<u>3,145,000</u>	<u>3,482,208</u>

The debt and will be repaid with proceeds of Polk, Boone and Story County local option sales tax for school infrastructure.

(12) Interfund Transfers

The detail of Interfund transfers for the year ended June 30, 2008 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	<u>\$1,887,965</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

Required Supplementary Information

BALLARD COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2008

	Governmental Fund Types	Proprietary Fund Type	Total Actual	Budgeted Amounts Original	Final	Final to Actual Variance
Revenues:						
Local sources	\$ 6,901,406	447,194	7,348,600	7,260,447	7,260,447	88,153
State sources	7,388,811	6,941	7,395,752	7,319,639	7,319,639	76,113
Federal sources	184,504	164,793	349,297	265,000	265,000	84,297
Total revenues	<u>14,474,721</u>	<u>618,928</u>	<u>15,093,649</u>	<u>14,845,086</u>	<u>14,845,086</u>	<u>248,563</u>
Expenditures:						
Instruction	7,884,661	-	7,884,661	7,731,000	7,950,000	65,339
Support services	3,940,917	-	3,940,917	3,829,000	3,905,000	(35,917)
Non-instructional programs	4,730	645,832	650,562	604,000	635,000	(15,562)
Other expenditures	3,571,566	-	3,571,566	3,337,539	3,775,000	203,434
Total expenditures	<u>15,401,874</u>	<u>645,832</u>	<u>16,047,706</u>	<u>15,501,539</u>	<u>16,265,000</u>	<u>217,294</u>
Excess (deficiency) of revenues over (under) expenditures	(927,153)	(26,904)	(954,057)	(656,453)	(1,419,914)	465,857
Other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(927,153)	(26,904)	(954,057)	(656,453)	(1,419,914)	465,857
Balance beginning of year	2,394,782	78,615	2,473,397	1,916,156	1,916,156	557,241
Balance end of year	<u>\$ 1,467,629</u>	<u>51,711</u>	<u>1,519,340</u>	<u>1,259,703</u>	<u>496,242</u>	<u>1,023,098</u>

See accompanying independent auditor's report.

BALLARD COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2008

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted disbursements by \$763,461.

During the year ended June 30, 2008, expenditures in the support and non-instructional programs functions exceeded the amended budget amounts. The District did not exceed the General Fund unspent authorized budget.

Other Supplementary Information

BALLARD COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Special Revenue Funds

June 30, 2008

	Management Levy	Student Activity	Physical Plant and Equipment Levy	Total
Assets				
Cash and pooled investments	\$ 88,565	149,741	-	238,306
Property tax receivable:				
Current year	4,152	-	1,459	5,611
Succeeding year	<u>290,000</u>	<u>-</u>	<u>120,502</u>	<u>410,502</u>
Total assets	<u>\$ 382,717</u>	<u>149,741</u>	<u>121,961</u>	<u>654,419</u>
Liabilities and Fund Balance				
Liabilities:				
Accounts payable	\$ -	342	-	342
Interfund payable	-	-	44,600	44,600
Deferred revenue:				
Succeeding year property tax	<u>290,000</u>	<u>-</u>	<u>120,502</u>	<u>410,502</u>
	<u>290,000</u>	<u>342</u>	<u>165,102</u>	<u>455,444</u>
Fund balance:				
Unreserved fund balance	<u>92,717</u>	<u>149,399</u>	<u>(43,141)</u>	<u>198,975</u>
	<u>92,717</u>	<u>149,399</u>	<u>(43,141)</u>	<u>198,975</u>
Total liabilities and fund balance	<u>\$ 382,717</u>	<u>149,741</u>	<u>121,961</u>	<u>654,419</u>

See accompanying independent auditor's report.

BALLARD COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Special Revenue Funds

Year ended June 30, 2008

	Management Levy	Student Activity	Physical Plant and Equipment Levy	Total
Revenues:				
Local sources:				
Local tax	\$ 291,162	-	112,352	403,514
Other	17,376	374,060	517	391,953
State sources	147	-	55	202
Total revenues	<u>308,685</u>	<u>374,060</u>	<u>112,924</u>	<u>795,669</u>
Expenditures:				
Instruction:	109,728	342,663	-	452,391
Support services:				
Student support services	856	-	-	856
Instructional staff support	6,644	1,923	80,137	88,704
Administration services	69,527	-	64,365	133,892
Plant operation and maintenance	72,174	-	6,052	78,226
Student transportation	34,018	-	66,011	100,029
Other expenditures:				
Facilities acquisition and construction	-	-	1,674	1,674
Total expenditures	<u>292,947</u>	<u>344,586</u>	<u>218,239</u>	<u>855,772</u>
Excess (deficiency) of revenues over (under) expenditures	15,738	29,474	(105,315)	(60,103)
Fund balances beginning of year	<u>76,979</u>	<u>119,925</u>	<u>62,174</u>	<u>259,078</u>
Fund balances end of year	<u>\$ 92,717</u>	<u>149,399</u>	<u>(43,141)</u>	<u>198,975</u>

See accompanying independent auditor's report.

BALLARD COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2008

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Drama/Speech	\$ 875	12,910	7,734	6,051
Vocal Music	5,799	92,170	94,398	3,571
Elementary Vocal	1,090	-	607	483
Instrumental Music	22,747	13,448	10,898	25,297
Music Account	(76)	8,288	8,212	-
Elementary Band	4,676	702	546	4,832
Drill Team	877	2,676	2,577	976
Yearbook	3,329	11,416	10,624	4,121
Elementary Activities	3,372	10,674	11,081	2,965
Gym Shoe Account	85	-	-	85
Jr/Sr High Activities	875	3,443	3,881	437
Pep Club	2,419	13,831	15,380	870
Spanish Club	3,813	-	1,321	2,492
SADD	1,200	10	455	755
Junior High Student Council	228	-	-	228
Senior High Student Council	2,606	5,175	5,423	2,358
National Honor Society	729	6,832	5,695	1,866
Conflict Managers	760	987	953	794
East Elementary Student Council	481	3,920	3,680	721
West Elementary Student Council	2,408	805	613	2,600
Class of 2008	3,765	860	1,556	3,069
Class of 2009	592	15,321	14,750	1,163
Class of 2010	344	1,460	965	839
Class of 2011	166	145	47	264
Class of 2012	107	107	-	214
Class of 2013	-	171	65	106
Athletic Director	43,245	40,218	24,414	59,049
Boys Basketball	2,988	7,025	6,510	3,503
Football	6,112	20,466	23,895	2,683
Soccer	(1,269)	4,048	1,851	928
Baseball	(5,717)	3,879	(2,188)	350
Boys Track	1,420	10,016	10,615	821
Boys Tennis	(312)	1,659	1,180	167
Boys Golf	(1,052)	898	(654)	500
Wrestling	(1,695)	6,027	3,832	500
Girls Basketball	5,024	9,581	11,774	2,831
Volleyball	(2,095)	5,304	1,373	1,836
Girls Soccer	(676)	4,772	3,596	500
Girls Softball	1,939	9,948	8,601	3,286
Girls Track	2,847	11,010	12,869	988
Girls Tennis	(446)	521	(82)	157
Girls Golf	(649)	1,811	662	500
Concessions	6,994	27,883	34,877	-
Weight Program	-	3,643	-	3,643
Totals	\$ 119,925	374,060	344,586	149,399

See accompanying independent auditor's report.

BALLARD COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Fiduciary Assets and Liabilities
Agency Fund

Year ended June 30, 2008

Account	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Character Education Council	\$ 79	-	-	79
Clothes Pantry	453	2,264	2,608	109
East Elementary	468	195	127	536
Junior-Senior High	74	1,320	923	471
West Elementary	765	309	44	1,030
	<u>\$ 1,839</u>	<u>4,088</u>	<u>3,702</u>	<u>2,225</u>

See accompanying independent auditor's report.

BALLARD COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Five Years

	Modified Accrual Basis				
	2008	2007	2006	2005	2004
Revenues:					
Local sources:					
Local tax	\$ 5,329,018	4,879,386	4,627,185	4,598,049	4,251,051
Tuition	878,697	811,694	773,489	649,687	626,000
Other	693,691	643,936	509,553	438,186	406,488
State sources	7,388,811	6,872,971	6,014,905	5,693,100	5,293,766
Federal sources	184,504	177,730	219,892	184,202	171,237
Total	<u>\$ 14,474,721</u>	<u>13,385,717</u>	<u>12,145,024</u>	<u>11,563,224</u>	<u>10,748,542</u>
Expenditures:					
Instruction	\$ 7,884,661	7,577,797	7,030,787	6,610,369	6,320,785
Support services:					
Student	363,167	298,544	364,469	341,803	373,767
Instructional staff	505,584	389,501	594,030	451,892	378,918
Administration	1,454,255	1,310,795	1,103,129	834,437	833,022
Operation and maintenance of plant	1,040,844	983,383	1,070,935	1,006,349	890,347
Transportation	577,067	537,001	622,261	419,560	367,336
Central Support	-	-	-	-	4,098
Noninstructional programs					
Community service operation	4,730	2,776	5,224	4,199	6,528
Other expenditures:					
Facilities acquisition	766,441	177,431	1,767,109	1,555,035	2,131,283
Debt Service					
Principal	2,120,000	375,000	1,160,000	947,296	438,539
Interest and service charges	242,930	260,743	303,280	228,619	179,719
AEA flowthrough	442,195	407,705	362,333	344,575	337,192
Total	<u>\$ 15,401,874</u>	<u>12,320,676</u>	<u>14,383,557</u>	<u>12,744,134</u>	<u>12,261,534</u>

See accompanying independent auditor's report.

BRUCE D. FRINK

Certified Public Accountant

Independent Auditor's Report on Internal Control over Financial
Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

- Individual & Corporate Tax Preparation, Partnerships, Estate & Trust
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance
- Section 105 Medical Plan Administration

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

To the Board of Education of the
Ballard Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Ballard Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 4, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Ballard Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Ballard Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Ballard Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency and to be a material weakness.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Ballard Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Ballard Community School District's financial statements that is more than inconsequential will not be prevented or detected by Ballard Community School District's internal control. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Ballard Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item 08-I-A is a material weakness.

Compliance and Other Matters

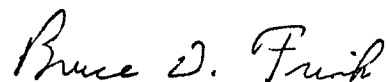
As part of obtaining reasonable assurance about whether Ballard Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Ballard Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Ballard Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Ballard Community School District and other parties to whom Ballard Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Ballard Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



BRUCE D. FRINK
Certified Public Accountant

March 4, 2009

BALLARD COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2008

Part I: Findings Related to the General Purpose Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

08-I-A Segregation of Duties - During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the District's financial statements. We noted that one individual has custody of receipts and performs all record-keeping and reconciling functions for the office.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review the operating procedures of the office to obtain the maximum internal control possible under the circumstances.

Response - We will review procedures and investigate available alternatives.

Conclusion - Response acknowledged.

Part II: Other Findings Related to Required Statutory Reporting:

08-II-A Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2008.

08-II-B Certified Budget - Expenditures for the year ended June 30, 2008 exceeded the amended certified budget amounts in the support services and non-instructional programs functions.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion - Response accepted.

08-II-C Questionable Expenditures - No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

08-II-D Business Transactions - No Business transactions between the District and District officials or employees were noted.

08-II-E Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

BALLARD COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2008

Part II: Other Findings Related to Required Statutory Reporting:

(continued):

- 08-II-F Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- 08-II-G Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.
- 08-II-H Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- 08-II-I Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- 08-II-J Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

BRUCE D. FRINK

Certified Public Accountant

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- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance
- Section 105 Medical Plan Administration


Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

The Tribune
PO Box 380
Ames, IA 50010

The audit report of the Ballard Community School District financial statements as of June 30, 2008 has been released. A copy of the report is available at the District Secretary's office for inspection during normal business hours.

Sincerely,



Bruce D. Frink
Certified Public Accountant

202 Central Avenue East
P.O. Box 241
Clarion, IA 50525

Phone: (515) 532-6659
Fax: (515) 532-3677
bruce@frinkcpa.com

BRUCE D. FRINK
Certified Public Accountant

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

- Individual & Corporate Tax Preparation, Partnerships, Estate & Trust
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance
- Section 105 Medical Plan Administration

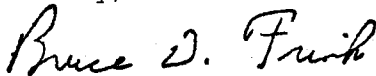
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WHO Radio
1801 Grand Ave
Des Moines, IA 50309

The audit report of the Ballard Community School District financial statements as of June 30, 2008 has been released. A copy of the report is available at the District Secretary's office for inspection during normal business hours.

Sincerely,



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Ballard Community School District

Serving the Communities of Cambridge, Huxley, Kelley and Slater

District Office 602 N. Main (P.O. Box 307) Huxley, Iowa 50124 515-597-2811 Fax 515-597-2965

NEWS RELEASE

FOR RELEASE

Bruce D. Frink, Certified Public Accountant, today released an audit report on the Ballard Community School District in Huxley, Iowa.

The District's General Fund revenues totaled \$11,764,686 for the year ended June 30, 2008, an eleven percent increase from the prior year. Revenues included \$3,139,201 in local tax, charges for tuition of \$878,697, state sources revenues of \$7,388,375, federal source revenues of \$184,504 and interest of \$80,843.

General Fund expenses totaled \$11,245,318, a four percent increase from the prior year. Expenses included \$7,432,270 for Instruction, \$1,147,276 for Administration Services and \$962,618 for Operation and Maintenance of Plant Services.

A copy of the audit report is available for review in the District Secretary's Office, the Office of Auditor of State, and the Auditor of State's web site at <http://auditor.iowa.gov/reports/reports.htm>.

Junior-Senior High
East Elementary
West Elementary

509 N. Main
505 West 4th Street
105 E. Main Street

Huxley, Iowa 50124
Cambridge, Iowa 50046
Slater, Iowa 50244

515-597-2971
515-220-4306
515-228-3890

Fax 515-597-2964
Fax 515-220-4310
Fax 515-228-3892

"Empowering Students Through Quality Learning Experiences"

BRUCE D. FRINK
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March 16, 2009

Ballard Community School District
Huxley, IA 50124-0307

Professional services provided in the audit of the June 30, 2008 Ballard Community School District financial statements, as detailed below:

AUDIT PREPARATION

Bruce Frink	12 hours
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FIELD WORK

Bruce Frink	November 25-26, 2008	20 hours
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OFFICE REVIEW & REPORT PREPARATION

Jan Stevens	16 hours
Bruce Frink	30 hours

Total Professional Services	\$5,000.00
Report Typing, Printing & Assembling	200.00
Less Processing Billing	<u>-1,500.00</u>

TOTAL	<u>\$ 3,700.00</u>
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202 Central Avenue East
P.O. Box 241
Clarion, IA 50525

Phone: (515) 532-6659
Fax: (515) 532-3677
bruce@frinkcpa.com

BRUCE D. FRINK
Certified Public Accountant

March 16, 2009

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Ballard Community School District
Janice Halverson, District Secretary
602 N Main Ave
Huxley, IA 50124-0307

Dear Janice:

Enclosed are 10 copies of your June 30, 2008 audit report. I ask that you review the report and call me if there are any questions or corrections to be made. Also, call if you are in need of additional copies.

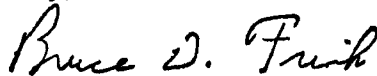
The press release attached is optional. I will be notifying the newspaper and radio station that the report has been completed and is on file for public review during normal business hours.

With our submission of your audit to the State, a check for the filing fee from the school is to be included. **Please make your check payable to "Auditor of State" in the amount of \$625.00 and send it to our office.**

I will be sending the required copies to the DE and Auditor of State. We are required to submit your audit to the Auditor of State within a few days of sending the audits to the school. **Please make sure we receive your check as soon as possible so we may do so in a timely manner.**

If you have any questions, please feel free to contact me. It has been a pleasure doing business with you.

Sincerely,



Bruce D. Frink
Certified Public Accountant

BDF/jms

Enclosure